

**THE AMERICAN LUNG ASSOCIATION
OF THE SOUTHWEST**

FINANCIAL STATEMENTS

June 30, 2008

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 16
Supplementary Schedules	17



BONDI & Co. LLC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

44 INVERNESS DRIVE EAST
ENGLEWOOD, COLORADO 80112

www.bondico.com

(303) 799-6826 PHONE
(800) 250-9083 TOLL-FREE

(303) 799-6926 FAX

**Board of Directors
The American Lung Association of the Southwest
Greenwood Village, Colorado**

Independent Auditors' Report

We have audited the accompanying statement of financial position of the American Lung Association of the Southwest (Association) as of June 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the American Lung Association of the Southwest, American Lung Association of Nevada, and American Lung Association of Utah Inc's 2007 financial statements, and in our report dated October 1, 2007, and other auditors' reports dated October 15, 2007 and September 11, 2007, respectively, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of the Southwest as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Affiliate Offices Worldwide

**Board of Directors
The American Lung Association of the Southwest
Greenwood Village, Colorado
Page 2**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the American Lung Association of the Southwest's financial statements. Supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Supplementary schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respected in relation to the financial statements taken as a whole.

October 13, 2008

Bondi & Co. LLC

BONDI & Co. LLC

American Lung Association of the Southwest
Statement of Financial Position
Year Ended June 30, 2008 (with summarized comparative totals for the year ended June 30, 2007)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,473,404	\$ -	\$ -	\$ 1,473,404	\$ 1,676,195
Investment in certificates of deposit	-	-	-	-	593,000
Contributions Receivable	896,782	-	-	896,782	1,060,682
Prepaid Expenses	53,498	-	-	53,498	41,839
Total Current Assets	2,423,684	-	-	2,423,684	3,371,716
LONG-TERM ASSETS					
Property and Equipment, Net	3,464,603	-	-	3,464,603	2,438,845
Long-term Investments	3,779,645	865,165	52,370	4,697,180	4,253,191
Deposits	-	-	-	-	128,527
Unconditional promises to give	-	512,029	-	512,029	666,024
Beneficial interest on perpetual trust	-	-	347,213	347,213	347,213
Total Long-Term Assets	7,244,248	1,377,194	399,583	9,021,025	7,833,800
TOTAL ASSETS	\$ 9,667,932	\$ 1,377,194	\$ 399,583	\$ 11,444,709	\$ 11,205,516

LIABILITIES AND NET ASSETS

LIABILITIES					
Accounts Payable	\$ 569,301	\$ -	\$ -	\$ 569,301	\$ 315,024
Accrued Expenses	287,520	-	-	287,520	211,820
Accrued Pension Costs	378,109	-	-	378,109	363,078
Lease deposits	6,993	-	-	6,993	6,993
Deferred Income	123,783	-	-	123,783	231,464
Total Liabilities	1,365,706	-	-	1,365,706	1,128,379
NET ASSETS					
Unrestricted Operating Funds					
General Operating	4,837,623	-	-	4,837,623	5,597,134
Invested in Assets	3,464,603	-	-	3,464,603	2,438,845
Total Unrestricted Operating Funds	8,302,226	-	-	8,302,226	8,035,979
Temporarily Restricted Operating Funds					
Future Projects	-	23,643	-	23,643	33,643
Future Periods	-	512,029	-	512,029	666,024
DeSouza Research Fund	-	841,522	-	841,522	941,522
Total Temporarily Restricted Operating Funds	-	1,377,194	-	1,377,194	1,641,189
Permanently Restricted Operating Funds:					
Perpetual Trust	-	-	347,213	347,213	347,213
Endowments	-	-	52,370	52,370	52,756
Total Permanently Restricted Operating Funds	-	-	399,583	399,583	399,969
TOTAL NET ASSETS	8,302,226	1,377,194	399,583	10,079,003	10,077,137
TOTAL LIABILITIES AND NET ASSETS	\$ 9,667,932	\$ 1,377,194	\$ 399,583	\$ 11,444,709	\$ 11,205,516

The accompanying notes are an integral part of the financial statements.

The American Lung Association of the Southwest
Statement of Activities
Year Ended June 30, 2008 (with summarized comparative totals for the year ended June 30, 2007)

	General Operating	Temporarily Restricted	Permanently Restricted	2008	2007
PUBLIC SUPPORT AND REVENUE					
Contributions and Donations					
Direct Mail	\$ 1,863,792	\$ -	\$ -	\$ 1,863,792	\$ 1,857,067
Special Events, Net	940,776	-	-	940,776	982,278
Vehicle Donation and Promotions	446,089	-	-	446,089	492,367
Workplace Giving	127,762	-	-	127,762	114,236
Memorials	105,111	-	-	105,111	130,421
Bequests	957,287	-	-	957,287	386,371
Individual Gifts	80,269	-	-	80,269	75,395
Corporate Gifts	14,860	-	-	14,860	7,105
Foundation Gifts	15,246	-	-	15,246	46,107
In-kind Contributions	31,439	-	-	31,439	16,182
Total Contributions and Donations	4,582,631	-	-	4,582,631	4,107,529
Revenue					
Individual Gifts-Restricted	-	46,980	-	46,980	57,532
Corporate Grants/Gifts-Restricted	-	270,399	-	270,399	158,080
Foundation Grants/Gifts-Restricted	-	184,622	-	184,622	149,285
Grants from Other Not-for-Profit Organization	-	195,179	-	195,179	115,448
Government Contracts/Grants	-	2,945,592	-	2,945,592	3,093,649
Program Service Fees	-	274,655	-	274,655	247,163
Interest and Dividends	183,905	-	-	183,905	316,731
Rental Income	114,854	-	-	114,854	101,783
Trust Income	474,025	-	-	474,025	318,190
Miscellaneous Income	6,725	-	-	6,725	72,735
Total Revenue	779,509	3,917,427	-	4,696,936	4,630,596
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 5,362,140	\$ 3,917,427	\$ -	\$ 9,279,567	\$ 8,738,125
ASSETS RELEASED FROM RESTRICTION	4,181,422	(4,181,422)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	9,543,562	(263,995)	-	9,279,567	8,738,125
EXPENSES					
Program Services	6,941,450	-	-	6,941,450	8,197,515
Supporting Services	2,069,497	-	-	2,069,497	1,616,462
Total Expenses	9,010,947	-	-	9,010,947	9,813,977
CHANGE IN NET ASSETS FROM OPERATIONS	532,615	(263,995)	-	268,620	(1,075,852)
NON-OPERATING ACTIVITIES					
Realized Gain/Loss on Investments	58,861	-	-	58,861	108,571
Unrealized Gain/Loss on Investments	(307,585)	-	(386)	(307,971)	219,296
Workers compensation insurance division	-	-	-	-	153,561
Total Non-Operating Activities	(248,724)	-	(386)	(249,110)	481,428
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	(17,644)	-	-	(17,644)	(110,155)
CHANGE IN NET ASSETS	266,247	(263,995)	(386)	1,866	(704,579)
NET ASSETS, BEGINNING OF YEAR	8,035,979	1,641,189	399,969	10,077,137	10,781,716
NET ASSETS, END OF YEAR	\$ 8,302,226	\$ 1,377,194	\$ 399,583	\$ 10,079,003	\$ 10,077,137

The accompanying notes are an integral part of the financial statements.

The American Lung Association of the Southwest
Statement of Functional Expenses
Year Ended June 30, 2008 (with summarized comparative totals for June 30, 2007)

	Program Services										Supporting Services			Total Expenses	
	Environmental Health	Tobacco	Ashtma	Lung Disease	Research	Community Service	Program Services Total	Fundraising	Management & General	Supporting Services Total	2008	2007			
EXPENSES															
Salaries	\$ 137,128	\$ 1,270,635	\$ 443,733	\$ 477,590	\$ 13,608	\$ 115,890	\$ 2,458,584	\$ 388,281	\$ 259,294	\$ 627,575	\$ 3,086,159	\$ 3,224,844			
Payroll Taxes	11,304	120,774	33,354	27,876	1,025	10,493	204,826	31,268	19,840	51,108	255,934	237,307			
Employee Benefits	28,283	274,174	94,675	94,098	3,261	25,546	520,037	78,712	61,511	140,223	660,260	813,022			
Professional & Consulting Fees	15,100	383,279	92,467	161,911	225	7,900	660,882	29,420	53,972	83,392	744,274	1,020,352			
Business Insurance	1,916	17,633	6,572	6,696	85	1,608	34,510	5,155	1,436	6,591	41,101	47,777			
Building Occupancy	10,965	113,926	23,024	88,584	65	9,307	245,871	28,252	2,954	31,206	277,077	324,402			
Telephone Expense	4,544	35,058	10,354	11,808	66	2,931	64,761	9,474	966	10,440	75,201	73,737			
Travel & Conferences - staff	8,840	116,276	29,190	44,998	211	5,849	205,364	16,903	2,754	19,657	225,021	356,564			
Travel & Conferences - non-staff	1,586	9,474	9,816	9,124	25	645	30,670	1,812	288	2,100	32,770	40,162			
Hosted Meetings & Conferences	2,548	80,024	50,567	151,192	11	428	284,770	2,214	198	2,412	287,182	184,553			
Program and Office Supplies	1,849	40,576	38,403	21,791	27	2,253	104,899	6,494	607	7,101	112,000	104,109			
Printing and Publications	20,344	228,766	87,240	100,392	717	15,723	453,182	399,628	76,753	476,381	929,563	531,221			
Postage & Shipping	12,480	108,662	39,719	63,842	425	9,693	234,821	226,403	44,463	270,866	505,687	639,878			
Media Expense	544	1,369	3,475	10,756	2	230	16,376	168,730	85	168,815	185,191	106,950			
Equipment, Computers & Furniture	3,224	67,819	20,924	13,790	180	3,773	109,710	10,607	979	11,586	121,296	134,831			
Dues & Subscriptions	2,217	12,572	2,517	2,898	5	563	20,772	2,355	271	2,626	23,398	16,837			
Awards & Grants	18	463,960	72,688	21,843	125,431	26	683,966	108	6	114	684,080	545,306			
Assistance to Patients	1,401	12,565	15,759	4,725	50	1,113	35,613	3,395	993	4,388	40,001	95,156			
Other contributed services	112	997	331	371	4	89	1,904	1,976	80	2,056	3,960	120,332			
Regional Center Charges	2,909	25,937	8,622	9,662	117	2,329	49,576	7,510	2,051	9,561	59,137	81,063			
Miscellaneous Expense	660	6,019	1,856	2,166	17	576	11,294	1,712	465	2,177	13,471	38,727			
Total expenses before depreciation	267,972	3,390,495	1,085,286	1,326,113	145,557	216,965	6,432,388	1,400,409	529,966	1,930,375	8,362,763	8,737,120			
Depreciation	5,288	47,153	15,676	17,566	212	4,233	90,128	13,653	3,728	17,381	107,509	93,246			
Total Operating Expenses	273,260	3,437,648	1,100,962	1,343,679	145,769	221,198	6,522,516	1,414,062	533,694	1,947,756	8,470,272	8,830,366			
Contract Payment to National	32,653	81,307	35,141	60,680	194,038	15,115	418,934	62,749	58,992	121,741	540,675	983,611			
TOTAL EXPENSES	\$ 305,913	\$ 3,518,955	\$ 1,136,103	\$ 1,404,359	\$ 339,807	\$ 236,313	\$ 6,941,450	\$ 1,476,811	\$ 592,686	\$ 2,069,497	\$ 9,010,947	\$ 9,813,977			
	3.4%	39.1%	12.6%	15.6%	3.8%	2.6%	77.0%	16.4%	6.6%	23.0%	100.0%				

The accompanying notes are an integral part of the financial statements.

The American Lung Association of the Southwest
Statement of Cash Flows
Year Ended June 30, 2008 (with comparative totals for June 30, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,866	\$ (610,167)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	107,509	93,246
Gain on sale of investments	(58,861)	(108,898)
Unrealized loss on investments	307,971	(219,296)
Other loss on investments	45,233	7,260
Loss on disposition of assets	22,806	34,124
Changes in Assets and Liabilities:		
Decrease (increase) in contribution receivable and unconditional promises to give	317,895	(98,157)
Decrease (increase) in prepaid expenses	(11,659)	57,655
Increase (decrease) in accounts payable	254,277	4,644
Increase (decrease) in accrued expenses	75,700	(3,847)
Increase (decrease) in deferred income	(107,681)	123,940
Increase (decrease) in accrued pension costs	15,031	67,101
Net cash provided by (used in) operating activities	970,087	(652,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,861,511	3,458,844
Purchase of investments	(2,599,843)	(1,946,158)
Purchase of property and equipment	(1,156,073)	(974,297)
Maturities of time certificates of deposit	593,000	-
Building Deposit	128,527	-
Net cash provided by (used in) investing activities	(1,172,878)	538,389
NET DECREASE IN CASH AND CASH EQUIVALENTS	(202,791)	(114,006)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,676,195	1,790,201
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,473,404	\$ 1,676,195
NON-CASH TRANSACTIONS		
In-kind Donation Revenues	\$ 31,439	\$ 16,182
In-kind Donation Expenses	(3,960)	(16,182)
Net non-cash transactions	\$ 27,479	\$ -

The accompanying notes are an integral part of the financial statements.

The American Lung Association of the Southwest
Notes to the Financial Statements
Year Ended June 30, 2008

NOTE 1. DESCRIPTION OF ORGANIZATION

The American Lung Association of the Southwest (Association) is a not-for-profit corporation, which provides services for the purpose of preventing and controlling lung diseases. Its programs involve environmental health, tobacco control, asthma, adult and children's lung diseases, community health services, and lung disease research. The Association is supported primarily by donor contributions and state grants.

Effective July 1, 2007, The American Lung Association of Nevada and The American Lung Association of Utah merged with this entity.

The Association is a constituent of the American Lung Association (the national lung association), which provides a number of program and supporting services on a statewide and nationwide basis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period in which the contribution, pledge, or unconditional promise to give is received. Legacies and bequests are not recorded in the accompanying financial statements until such time as the Association has an unconditional rights to the gift and the proceeds can be reasonably estimated. Donated assets are recorded as unrestricted contributions at the fair market value as of date of donation.

Net Assets

All financial transactions have been recorded as either unrestricted, temporarily restricted, or permanently restricted net assets:

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Association and include those expendable resources, which have been designated for special use by the Board.

Temporarily restricted net assets represent those amounts, which are donor restricted for specific purposes. If a temporarily restricted net asset is fulfilled in the same time period in which the contribution is received it is recorded as released from restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of funds, which mandate that the original principal be invested in perpetuity. This original principal is reported as permanently restricted net assets, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specification.

Investments

Investments in stocks and bonds are reported on the basis of closing market prices or bid quotations as of the end of the year. Money market accounts are stated at cost, which approximates market value.

The American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Association follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$5,000, at cost or fair market value if donated. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

Indirect expenses are allocated to the various program and supporting services based on the ratio of program and supporting services salary expense to total salary expense.

Joint costs of activities which include fund-raising are allocated to program services to the extent they are intended to inform or educate the public concerning respiratory health, or to supporting services including fund-raising to the extent they are intended to induce the contribution of financial resources or enhance the image of the Association.

Tax Status

The Association is a non-profit voluntary organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Also, the Association has been designated a publicly supported organization under Section 170(b)(1)(A)(vi) of the same code. Accordingly, contributions qualify for deduction at the maximum amount specified in that code section.

Prior Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with The American Lung Association of the Southwest, The American Lung Association of Nevada, and The American Lung Association of Utah financial statements for the year ended June 30, 2007, from which the summarized information was derived.

NOTE 3. DEFERRED INCOME

Deferred income represents amount received prior to June 30, 2008 for events and programs to be held in the upcoming fiscal year.

American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 4. INVESTMENTS

The following summarizes the relationship between the cost and market value of the investments at June 30, 2008:

	Cost	Market Value	Excess or Reduction of Market Over Cost
Balance at End of Year	\$ 4,717,391	\$ 4,697,180	\$ (20,211)
Balance at Beginning of Year	4,559,838	4,847,598	287,760
Net Unrealized Gains			(307,971)
Realized Net Gain for the Year			58,861
Advisory Services			(49,190)
Investment Income			178,624
Total Net Investment Income for the Year			\$ (119,676)

	Cost	Market Value
Unrestricted	\$ 3,794,577	\$ 3,779,645
Temporarily Restricted	868,888	865,165
Permanently Restricted	53,926	52,370
Total	\$ 4,717,391	\$ 4,697,180

Common Stock	\$ 2,675,614	\$ 2,651,240
Preferred Stock	25,000	25,000
Corporate Bonds	554,417	559,578
Government Bonds	532,148	550,797
Certificate of Deposit	918,000	899,909
Investment in Trust	12,212	10,656

Total	\$ 4,717,391	\$ 4,697,180
-------	--------------	--------------

Interest and Dividends		
Interest, dividend, and other income from investments		178,624
Interest on savings and other temporary cash		5,281
Total Interest and Dividends		183,905

The Association receives royalties from oil leases that are held in trust on its behalf by the Allie M. Lee Trust, administered by United New Mexico Trust Company, Roswell, New Mexico. The oil production interests have an undeterminable value and therefore are not reflected in the accompanying statement of financial position. The royalties are included in revenue when earned.

The American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 5. PROPERTY AND EQUIPMENT

A summary of the property and equipment is as follows:

	<u>Life</u>	<u>Amount</u>
Land		\$ 684,369
Building	7-50 years	3,643,764
Computer Hardware	3 years	50,634
Automobile	3-5 years	<u>86,277</u>
		4,465,044
Less Accumulated Depreciation		<u>1,000,441</u>
Net Property and Equipment		<u>\$ 3,464,603</u>

NOTE 6. SPECIAL EVENTS

During the year the Association had several fund-raising events. The gross receipts from these events were \$1,253,265. Direct expenses consisting of tickets, facilities, and entertainment costs of \$312,489 were charged against these receipts leaving net proceeds of \$940,776.

The Association did not include the value of donated prizes and costs in the above special event amounts. The value of the donated prizes and costs were not considered significant in relation to the overall gross receipts of the events.

NOTE 7. ALLOCATION OF JOINT COSTS

The Association incurred joint costs with various vendors of \$1,201,846 for the year ended June 30, 2008, for the informational materials and activities that included direct mail fund-raising appeals. The following amounts were allocated to the respective functions.

Management and General	\$ 120,086
Fundraising	609,096
Program Service Activities:	
Environmental Health	27,732
Tobacco Control	247,289
Asthma	82,209
Lung Diseases	92,121
Community Health Services	22,201
Research	1,112
Total	<u>\$ 1,201,846</u>

The American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 8. PROMISES TO GIVE

Promises to give result from bequests of part of an estate under a valid will. Only the measurable portion of the bequest is included in the financial statements. The organization is named in several valid wills. However, since the value of the estates are not known, these bequests are not included in the financial statements as directed by FASB No. 116.

Unconditional promises to give at June 30, 2008 are \$512,029. Amounts are due in one to five years. The Association believes these amount to be fully collectible therefore no allowance for uncollectible was recorded.

NOTE 9. UNRESTRICTED NET ASSETS

At June 30, 2008, unrestricted net assets are as follows:

General Operating Net Assets	\$ 4,837,623
Invested in Fixed Assets	3,464,603
Total	<u>\$ 8,302,226</u>

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008, temporarily restricted net assets are as follows:

Restricted for Future Projects:	
Waring Restricted Fund	\$ 23,643
Restricted for Future Periods	512,029
DeSouza Research Fund	841,522
	<u>\$ 1,377,194</u>

NOTE 11. PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2008, permanently restricted net assets are as follows:

Perpetual Trust	\$ 347,213
Endowments	52,370
	<u>\$ 399,583</u>

NOTE 12. DE SOUZA RESEARCH FUND

In February 2003, the Board of Directors established the DeSouza Research Fund created from the generous bequest of Mr. James L DeSouza of Phoenix, AZ. In accordance with the stipulations of the bequest, these funds have been restricted for medical research toward the treatment and cure of *brochiectasis, m. avium and nocardia*. As a result, the Board of Directors created the DeSouza Research Award. This award utilizes funds from the DeSouza Research Fund to annually support clinical laboratory, epidemiological, or any other kind of research that related to *brochiectasis, m. avium and nocardia*. First year of funding for this award began in July 2005. Total funding for the fiscal year ended June 30, 2008 was \$100,000.

The American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 13: RETIREMENT PLAN

Fiscal Year Ending: June 30, 2008
 Measurement Date: March 31, 2008

Change in Benefit Obligation

Benefit obligation at beginning of year	\$ 2,702,747
Service cost	212,946
Interest cost	160,702
Plan participants' contributions	-
Amendments	-
Actuarial loss / (gain)	(187,909)
Benefits paid	(1,144,386)
Business combinations and (divestitures)	626,671
Curtailements, settlements and special termination benefits	-
Benefit obligation at end of year	<u>\$ 2,370,771</u>

Change in Plan Assets

Fair value of plan assets at beginning of year	\$ 2,339,669
Actual return on plan assets	(86,101)
Employer contributions	301,000
Plan participant' contributions	-
Benefits paid	(1,144,386)
Expenses paid	(39,728)
Transfers in / (out)	-
Business combinations and (divestitures)	622,208
Curtailements, settlements & special termination benefits	-
Fair value of assets at end of year	<u>\$1,992,662</u>

Funded status at end of year \$ (378,109)

Amounts recognized in the statement of financial position consist of:

Non-current assets	\$ -
Current liabilities	-
Non-current liabilities	\$ (378,109)

Amounts recognized in accumulated other comprehensive income consist of:

Transition obligation / (asset)	\$ -
Prior service cost / (credit)	(6,911)
Net actuarial loss / (gain)	1,006,365
Total	<u>\$ 999,454</u>

Accumulated benefit obligation at end of year \$ 1,842,571

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

Projected benefit obligation	\$ 2,370,771
Accumulated benefit obligation	1,842,571
Fair value of plan assets	1,992,662

The American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 13: RETIREMENT PLAN (CONTINUED)

Components of Net Periodic Benefit Cost and Other Amounts Recognized in OCI

Components of Net Periodic Benefit Cost

Service cost	\$ 212,946
Interest cost	160,702
Expected return on plan assets	(201,202)
Amortization of transition obligation / (asset)	-
Amortization of prior service cost / (credit)	(1,200)
Recognized net loss / (gain)	19,725
Recognition due to settlement or curtailment	(491)
Net periodic benefit cost	<u>\$ 190,480</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:

FAS158 transition adjustment	\$ -
New transition obligation / (asset)	-
New prior service cost / (credit)	-
New net loss / (gain)	158,682
Amortization of transition obligation / (asset)	-
Amortization of prior service cost / (credit)	1,200
Amortization of net loss / (gain)	(19,725)
Total recognized in other comprehensive income	<u>\$ 140,157</u>

Total recognized in net periodic benefit cost and other comprehensive income:

\$ 330,637

Weighted-average assumptions used to determine benefit obligation as of June 30

	2008
Discount rate	6.25%
Rate of compensation	3.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30

	2008
Discount rate	6.00%
Rate of compensation	3.00%
Expected return on plan assets	8.25%

Asset Allocation

<i>Asset Category</i>	2008
Equity securities	50.91%
Debt securities	41.94%
Cash & cash equivalents	7.15%
Total	<u>100.00%</u>

Expected Employer Contributions to be Paid for Fiscal Year Beginning July 1

\$ 275,000

Benefits Expected to be Paid for Fiscal year Beginning July 1

2008	\$ 467,153
2009	\$ 1,300,583
2010	\$ 170,953
2011	\$ 106,451
2012	\$ 171,823
2013-2017	<u>\$ 1,381,194</u>

The American Lung Association of the Southwest
Notes to the Financial Statements, continued
Year Ended June 30, 2008

NOTE 13: RETIREMENT PLAN (CONTINUED)

Estimated amortizations amounts in next fiscal year:

Amort transition obligation / (asset)	\$	-
Amort prior service cost / (credit)	\$	(1,200.00)
Amort net loss / (gain)	\$	41,009

Rate of Return on Assets Assumption:

Effective July 1, 2008, the expected long-term rate of return on assets assumption is 8.00% (previously 8.25%). As defined in FAS 87, this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by the reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Investment Strategy:

In order to meet its needs, the investment strategy of the Association emphasizes total return; that is, the aggregate return from capital appreciation, dividend income, and interest income.

Specifically, the primary objective in the investment management for the plan is:

Income and Growth - To achieve a balanced return of current income and appropriate growth of principal.

The secondary objective in the investment management of assets is:

Preservation of Purchasing Power After Spending - To achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of plan assets.

Additional objectives for the Association are preservation of capital and minimization of costs.

Risk control is an important element in the investment of plan assets and is achieved through a diversified target allocation and the prohibition of investing in derivative instruments, private placements, limited partnerships, and venture-capital investments. In addition, short selling and margin transactions are prohibited.

Investments in companies that derive their revenue from the manufacture & sale of tobacco products are strictly prohibited.

The American Lung Association of the Southwest
Notes to Financial Statements, continued
Year Ended June 30, 2008

NOTE 14. TAX DEFERRED ANNUITY PLAN

The Association offers a voluntary tax deferred annuity plan (403-b) to employees to save for retirement through payroll deductions. Following six months of employment, the Association matches 100% of the active participant's compensation that is contributed up to 4% for all employees employed by the ALASW on the last day of the plan year (December 31.) Employer matching contributions made by the Association are vested based on the following schedule:

Years of Service	% vested
1	20%
2	40%
3	60%
4	80%
5	100%

The Association matching contribution for the year was \$36,869.

NOTE 15. CONTRIBUTED SERVICES AND EQUIPMENT

The Association received donated services from a variety of volunteers. No amounts have been recognized in the accompanying statements of activities in keeping with the criteria established in Statement No. 116. The Association did receive in-kind a copier valued at \$27,479, accounting fees valued at \$2,273, and various expenses valued at \$1,687, for a total of \$31,439.

NOTE 16. CONCENTRATION OF CREDIT RISK

The Association maintains its cash and temporary cash investments with high quality major financial institutions. While the Association attempts to limit credit risk exposure, its deposit balances may, at times, exceed federally insured limits. The Association has not experienced any losses on such accounts.

The Association has significant investment in stocks, bonds, and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by investment managers, engaged by the Association, and the investments are monitored for the Association. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Association and its beneficiaries.

The American Lung Association of the Southwest
Notes to Financial Statements, continued
Year Ended June 30, 2008

NOTE 17. COMMITMENT AND CONTINGENT LIABILITY

The Association is subject to contract to remit 30% of net direct mail revenue and 13% of other unrestricted revenue (as defined by contract) to the national lung organization.

The Association is committed to participating in the national direct mail program and will pay \$1,184,624 in 2009 for this service as a merged entity, American Lung Association of the Southwest.

The Association leases certain operating equipment, has service contract agreements, and rental agreements. Future minimum commitments at June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 285,273
2010	209,449
2011	63,810
2012	24,580
2013	2,666
Total	<u>\$ 585,778</u>

The Association receives revenues from grants with various governmental and private agencies. The disbursement of funds received under these grants requires compliance with the terms and conditions specified in the grant and are subject to audit by the granting agencies. The amount of charges to these grants that may be disallowed, if any, by such audits cannot be presently determined. However, management believes that the effect of any disallowed costs would not have a significant impact on the financial statements, and accordingly, no provision has been made in the financial statements for any liability that may result.

NOTE 18. CONTRIBUTIONS RECEIVABLE

The Association Contributions Receivable amount is \$896,782; \$692,394 from state grants, \$76,667 from special events revenue, \$42,298 from the vehicle donation program, \$35,680 from direct mail, \$33,118 from other grants, \$10,000 from property management, and \$6,625 from other sources. The Association believes this amount to be fully collectible therefore no allowance for uncollectible was recorded.

NOTE 19. MERGER

The American Lung Association of Nevada and The American Lung Association of Utah merged with The American Lung Association of the Southwest on July 1, 2007. All assets and liabilities will be transferred to The American Lung Association of the Southwest, effective July 1, 2007.

The American Lung Association of the Southwest
Supplementary Schedules
Year Ended June 30, 2008

SCHEDULE 1 TEMPORARILY RESTRICTED FUND ACTIVITY

	Beginning Balance	Additions	Deductions	Ending Balance
Waring restricted fund	\$ 23,643	\$ -	\$ -	\$ 23,643
DeSouza bequest	941,522		100,000	841,522
Unconditional promises to give	666,024		153,995	512,029
Program Activity	10,000	3,917,427	3,927,427	-
Total	<u>\$ 1,641,189</u>	<u>\$ 3,917,427</u>	<u>\$ 4,181,422</u>	<u>\$ 1,377,194</u>

SCHEDULE 2 PERMANENTLY RESTRICTED FUNDS

	Beginning Balance	Additions	Deductions	Ending Balance
Champ Camp Fund	\$ 10,250	\$ -	\$ -	10,250
Estate of Arvetta M. Mauldin	31,464	-	-	31,464
Vivian Osborne Irrevocable Trust	11,042	-	386	10,656
Schuele Trust	347,213	-	-	347,213
	<u>\$ 399,969</u>	<u>\$ -</u>	<u>\$ 386</u>	<u>\$ 399,583</u>

See independent auditors' report.